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Caroline Pitt Clark  
Commissioner

October 26, 2007

CERTIFICATE OF SERVICE

RE: Case No. 2007-00442  
Duke Energy Kentucky, Inc.

I, Beth O'Donnell, Executive Director of the Public Service Commission, hereby certify that the enclosed attested copy of the Commission's Order in the above case was served upon the addressee by U.S. Mail on October 26, 2007.

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Executive Director

BOD/dw  
Enclosure

COMMONWEALTH OF KENTUCKY  
BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

NOTICE OF PURCHASED GAS            )  
ADJUSTMENT FILING OF DUKE        ) CASE NO. 2007-00442  
ENERGY KENTUCKY, INC.             )

O R D E R

On December 22, 2005, in Case No. 2005-00042,<sup>1</sup> the Commission approved rates for Duke Energy Kentucky, Inc. ("Duke") and provided for their further adjustment in accordance with Duke's Gas Cost Adjustment ("GCA") clause.

On October 9, 2007, Duke filed its GCA to be effective October 29, 2007. Duke previously obtained Commission approval to file its GCA within 20 days of the proposed effective date.<sup>2</sup>

After reviewing the record in this case and being otherwise sufficiently advised, the Commission finds that:

1. Duke's notice includes rates designed to pass on to its customers its expected change in wholesale gas costs.
2. Duke's Expected Gas Cost ("EGC") is \$8.44 per Mcf, which is an increase of 94.8 cents per Mcf from its previous EGC of \$7.492.

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<sup>1</sup> Case No. 2005-00042, Adjustment of the Gas Rates of The Union Light, Heat and Power Company.

<sup>2</sup> Case No. 2003-00386, The Application of The Union Light, Heat and Power Company for Authority to Make Monthly Adjustments to the Expected Gas Cost Component of Its Gas Cost Adjustment Rate, Order dated November 6, 2003.

3. Duke's notice sets out no current Refund Adjustment ("RA"). Duke's notice sets out a total RA of 0 cent per Mcf, which is no change from its previous total RA.

4. Duke's notice sets out no current quarter Actual Adjustment ("AA"). Duke's notice sets out a total AA of 37.4 cents per Mcf, which is no change from its previous total AA.

5. Duke's notice sets out no current quarter Balancing Adjustment ("BA"). Duke's notice sets out a total BA of 2.4 cents per Mcf, which is no change from its previous total BA.

6. Duke's Gas Cost Recovery Rate ("GCR") is \$8.838 per Mcf, which is an increase of 94.8 cents per Mcf from its previous GCR of \$7.89.

7. The rates in the Appendix to this Order are fair, just, and reasonable, and should be approved for final meter readings by Duke on and after October 29, 2007.

IT IS THEREFORE ORDERED that:

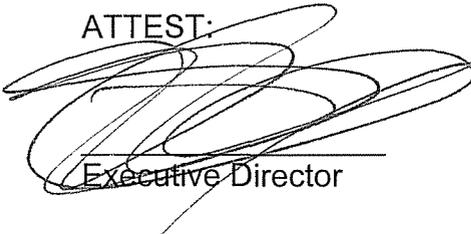
1. The rates in the Appendix to this Order are approved for final meter readings on and after October 29, 2007.

2. Within 20 days from the date of this Order, Duke shall file with this Commission its revised tariffs setting out the rates authorized herein.

Done at Frankfort, Kentucky, this 26th day of October, 2007.

By the Commission

ATTEST:

  
Executive Director

APPENDIX

APPENDIX TO AN ORDER OF THE KENTUCKY PUBLIC SERVICE  
COMMISSION IN CASE NO. 2007-00442 DATED October 26, 2007

The following rates and charges are prescribed for the customers served by Duke Energy Kentucky, Inc. All other rates and charges not specifically mentioned herein shall remain the same as those in effect under authority of the Commission prior to the effective date of this Order.

GAS SERVICE RATES

RATE RS  
RESIDENTIAL SERVICE

	<u>Base Rate</u>		<u>Gas Cost Adjustment</u>	<u>Total Rate</u>
Commodity Charge for All Ccf Consumed	\$.26687	plus	\$.8838	\$1.15067

RATE GS  
GENERAL SERVICE

	<u>Base Rate</u>		<u>Gas Cost Adjustment</u>	<u>Total Rate</u>
Commodity Charge for All Ccf Consumed	\$.20949		\$.8838	\$1.09329

RIDER GCAT  
GAS COST ADJUSTMENT TRANSITION RIDER

The amount of this charge or (credit) shall be \$.03980 per 100 cubic feet. This rate shall be in effect during the months of September 2007 through November 2007 and shall be updated quarterly, concurrent with the Company's GCA filings.